

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

# **LAKE TOWNSHIP**

Huron County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2008

**TABLE OF CONTENTS**

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8
<i>Fiduciary Fund:</i>	
Statement of Net Assets.....	9
Notes to Financial Statements.....	11
<b>Required Supplemental Information:</b>	
Budgetary Comparison Schedule – General Fund.....	24
Budgetary Comparison Schedule – Special Revenue Fund – Roads Fund.....	25
Budgetary Comparison Schedule – Special Revenue Fund – Caseville Area Fire Protection Association Fund.....	26
<b>Other Supplemental Information:</b>	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	28
Detailed Schedule of Expenditures.....	29
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet.....	32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	33
<i>Fiduciary Fund:</i>	
Statement of Changes in Assets and Liabilities.....	34
<i>Schedules of Indebtedness</i> .....	35

BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Lake Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

July 7, 2008

***BASIC FINANCIAL STATEMENTS***

# LAKE TOWNSHIP

---

## STATEMENT OF NET ASSETS

March 31, 2008

	<b><u>Governmental Activities</u></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 652,874
Receivables	76,555
Capital assets:	
Nondepreciable capital assets	24,819
Depreciable capital assets, net	<u>26,320</u>
Total assets	<u>780,568</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	7,116
Long-term liabilities:	
Due within one year	21,200
Due in more than one year	<u>35,000</u>
Total liabilities	<u>63,316</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	51,139
Restricted for:	
Debt service	17,129
Unrestricted	<u>648,984</u>
Total net assets	<u>\$ 717,252</u>

*The accompanying notes are an integral part of these financial statements.*

# LAKE TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<i>Governmental activities:</i>					
General government	\$ 105,249	\$ 380	\$ 4,850	\$ -	\$ (100,019)
Public safety	80,316	14,965	-	-	(65,351)
Public works	166,671	18,040	6,015	-	(142,616)
Health and welfare	3,486	-	-	-	(3,486)
Community and economic development	19,507	3,850	-	-	(15,657)
Recreation and culture	1,200	170	-	-	(1,030)
Interest on long-term debt	3,107	-	-	-	(3,107)
Total governmental activities	<u>379,536</u>	<u>37,405</u>	<u>10,865</u>	<u>-</u>	<u>(331,266)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					114,118
Property taxes, levied for roads/gypsy moth					132,701
Property taxes, levied for fire					70,447
Payments in lieu of property taxes					1,010
Franchise fees					11,066
Grants and contributions not restricted to specific programs					68,102
Unrestricted investment earnings					9,016
Miscellaneous					<u>2,900</u>
Total general revenues					<u>409,360</u>
Change in net assets					78,094
Net assets, beginning of year					<u>639,158</u>
Net assets, end of year					<u>\$ 717,252</u>

The accompanying notes are an integral part of these financial statements.

# LAKE TOWNSHIP

---

## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2008

	<u>General Fund</u>	<u>Roads Fund</u>	<u>Caseville Area Fire Protection Association Fund</u>	<u>Fosters White Sand Shores Road Improvements Fund</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 329,700	\$ 261,319	\$ -	\$ 13,361
Taxes receivable	7,952	9,637	4,723	-
Accounts receivable	1,917	-	-	-
Special assessments receivable	-	-	-	30,305
Due from other governmental units	10,701	-	-	-
Total assets	<u>\$ 350,270</u>	<u>\$ 270,956</u>	<u>\$ 4,723</u>	<u>\$ 43,666</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,615	\$ -	\$ -	\$ -
Due to other governmental units	-	-	4,723	-
Deferred revenue	-	-	-	30,305
Total liabilities	<u>1,615</u>	<u>-</u>	<u>4,723</u>	<u>30,305</u>
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	-	13,361
Unreserved:				
General fund	348,655	-	-	-
Special revenue funds	-	270,956	-	-
Total fund balances	<u>348,655</u>	<u>270,956</u>	<u>-</u>	<u>13,361</u>
Total liabilities and fund balances	<u>\$ 350,270</u>	<u>\$ 270,956</u>	<u>\$ 4,723</u>	<u>\$ 43,666</u>

The accompanying notes are an integral part of these financial statements.

---

<i>Old Sand</i>		
<i>Road</i>	<i>Nonmajor</i>	<i>Total</i>
<i>Improvements</i>	<i>Governmental</i>	<i>Governmental</i>
<i>Fund</i>	<i>Funds</i>	<i>Funds</i>
\$ 3,768	\$ 44,726	\$ 652,874
-	-	22,312
-	-	1,917
11,320	-	41,625
-	-	10,701
<u>\$ 15,088</u>	<u>\$ 44,726</u>	<u>\$ 729,429</u>

\$ -	\$ -	\$ 1,615
-	-	4,723
11,320	-	41,625
<u>11,320</u>	<u>-</u>	<u>47,963</u>

3,768	-	17,129
-	-	348,655
-	44,726	315,682
<u>3,768</u>	<u>44,726</u>	<u>681,466</u>
<u>\$ 15,088</u>	<u>\$ 44,726</u>	<u>\$ 729,429</u>

# LAKE TOWNSHIP

---

## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

<b>Total fund balances for governmental funds</b>		\$ 681,466
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	72,782	
Less accumulated depreciation	<u>(21,643)</u>	51,139
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(778)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		
Special assessments		41,625
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Special assessment bond payable	(45,000)	
Loan payable	<u>(11,200)</u>	<u>(56,200)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 717,252</u></b>

*The accompanying notes are an integral part of these financial statements.*

# LAKE TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<u>General Fund</u>	<u>Roads Fund</u>	<u>Caseville Area Fire Protection Association Fund</u>	<u>Fosters White Sand Shores Road Improvements Fund</u>
<b>Revenues:</b>				
Property taxes	\$ 115,128	\$ 127,701	\$ 70,447	\$ -
Licenses and permits	26,581	-	-	-
State grants	72,952	2,108	-	-
Charges for services	21,890	-	-	-
Interest and rents	7,062	1,058	-	62
Other revenue	2,900	-	-	9,989
Total revenues	<u>246,513</u>	<u>130,867</u>	<u>70,447</u>	<u>10,051</u>
<b>Expenditures:</b>				
Current				
General government	90,002	-	-	-
Public safety	20,753	-	58,250	-
Public works	50,090	84,441	-	-
Health and welfare	3,486	-	-	-
Community and economic development	18,416	-	-	-
Recreation and culture	1,200	-	-	-
Other	8,846	-	-	-
Capital outlay	2,045	-	-	-
Debt service				
Principal	-	-	11,200	8,000
Interest and fees	-	-	997	1,826
Total expenditures	<u>194,838</u>	<u>84,441</u>	<u>70,447</u>	<u>9,826</u>
Excess (deficiency) of revenues over expenditures	<u>51,675</u>	<u>46,426</u>	<u>-</u>	<u>225</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(22,000)	-	-	-
Total other financing sources (uses)	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	29,675	46,426	-	225
Fund balances, beginning of year	<u>318,980</u>	<u>224,530</u>	<u>-</u>	<u>13,136</u>
Fund balances, end of year	<u>\$ 348,655</u>	<u>\$ 270,956</u>	<u>\$ -</u>	<u>\$ 13,361</u>

The accompanying notes are an integral part of these financial statements.

---

<i>Old Sand</i>		
<i>Road</i>	<i>Nonmajor</i>	<i>Total</i>
<i>Improvements</i>	<i>Governmental</i>	<i>Governmental</i>
<u><i>Fund</i></u>	<u><i>Funds</i></u>	<u><i>Funds</i></u>
\$ -	\$ 5,000	\$ 318,276
-	-	26,581
-	-	75,060
-	-	21,890
16	818	9,016
<u>3,016</u>	<u>-</u>	<u>15,905</u>
<u>3,032</u>	<u>5,818</u>	<u>466,728</u>
-	4,437	94,439
-	-	79,003
-	29,413	163,944
-	-	3,486
-	-	18,416
-	-	1,200
-	-	8,846
-	3,323	5,368
2,000	-	21,200
<u>457</u>	<u>-</u>	<u>3,280</u>
<u>2,457</u>	<u>37,173</u>	<u>399,182</u>
<u>575</u>	<u>(31,355)</u>	<u>67,546</u>
-	22,000	22,000
<u>-</u>	<u>-</u>	<u>(22,000)</u>
<u>-</u>	<u>22,000</u>	<u>-</u>
575	(9,355)	67,546
<u>3,193</u>	<u>54,081</u>	<u>613,920</u>
<u>\$ 3,768</u>	<u>\$ 44,726</u>	<u>\$ 681,466</u>

# LAKE TOWNSHIP

---

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2008

**Net change in fund balances - total governmental funds** \$ 67,546

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	4,373	
Less depreciation expense	<u>(6,100)</u>	(1,727)

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

Special assessments		(9,098)
---------------------	--	---------

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets. 21,200

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	<u>173</u>	
------------------------------------	------------	--

**Change in net assets of governmental activities** \$ 78,094

*The accompanying notes are an integral part of these financial statements.*

# LAKE TOWNSHIP

---

*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2008

	<u><i>Agency Fund</i></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>1,897</u>
<b>Liabilities:</b>	
Accounts payable	<u>1,897</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The Township, which is located in Huron County, Michigan, is governed by a five member elected Board of Trustees and has approximately 1,000 residents.

The accounting policies of Lake Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

**Joint Venture** – In October 1999, Lake Township and Caseville Township created the Caseville Area Fire Protection Association for the purpose of the establishment, operation, and maintenance of a joint fire department and fire authority, including, but not limited to, the acquisition and operation of fire department motor vehicles, equipment, apparatus, housing and personnel. This joint venture will be funded with special tax assessments from both townships. The assessment of Lake Township for the year ended March 31, 2008 was \$70,447, of which \$4,723 is still owed to the Association.

Lake Township owns an approximate 50% interest in the equity balance of the Association. The separate audited financial statements of the Caseville Area Fire Protection Association can be obtained from the Lake Township Supervisor at P.O. Box 429, Caseville, Michigan, 48725-0429.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Roads Fund** is used to account for the maintenance of the Township's road system.

The **Caseville Area Fire Protection Association Fund** is used to account for the special fire tax assessment for the joint venture.

The **Fosters White Sand Shores Subdivision Road Improvements Debt Service Fund** is used to account for the debt service payments related to a special assessment bond.

The **Old Sand Road Improvements Debt Service Fund** is used to account for the debt service payments related to a special assessment bond.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	5-10 years
Machinery and equipment	5-10 years

**Compensated Absences** – It is the Township’s policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, no liability is recorded in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt are reported as liabilities in the applicable governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Property taxes attach as an enforceable lien on property as of July 1 for the summer tax levy and December 1 for the winter tax levy. Taxes levied on July 1 and December 1 are due without penalty before September 14 and February 28, respectively. These tax bills include the Township’s own property taxes and taxes billed on behalf of Huron County and the school districts within the Township boundaries.

The 2007 taxable valuation of the Township’s real and personal property totaled \$89,224,807, on which ad valorem taxes levied consisted of .9325 mills for the Township’s operating purposes and 1.4788 mills for a special voted millage for roads and gypsy moth.

The 2007 taxable valuation of the Township’s real property totaled \$88,170,407, on which ad valorem taxes levied consisted of .8000 mills for a fire special assessment.

The delinquent real property taxes of the Township are purchased by Huron County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

---

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

---

#### Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget by fund for each year is submitted to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred expenditures that were in excess of the amounts budgeted, as follow:

	<i>Final Budget</i>	<i>Actual</i>	<i>Excess</i>
<b>Caseville Area Fire Protection Association Fund</b>			
Expenditures	\$ 66,418	\$ 70,447	\$ 4,029

The budget for the Caseville Area Fire Protection Association Fund is prepared by the Association.

#### State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2007	\$ -
Current year building permit revenue	13,145
Related expenses:	
Direct costs	<u>20,753</u>
Cumulative surplus at March 31, 2008	<u>\$ -</u>

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

---

### NOTE 3: DEPOSITS AND INVESTMENTS

---

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$674,483 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$141,732 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2008.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

---

### NOTE 4: CAPITAL ASSETS

---

Governmental activities capital asset activity for the year ended March 31, 2008 was as follows:

	<u>April 1,</u> <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31,</u> <u>2008</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 24,819	\$ -	\$ -	\$ 24,819
Depreciable capital assets				
Buildings	8,000	-	-	8,000
Furniture and equipment	25,724	4,373	-	30,097
Machinery and equipment	9,866	-	-	9,866
Total depreciable capital assets	43,590	4,373	-	47,963
Accumulated depreciation	(15,543)	(6,100)	-	(21,643)
Depreciable capital assets, net	28,047	(1,727)	-	26,320
Governmental activities, capital assets, net	<u>\$ 52,866</u>	<u>\$ (1,727)</u>	<u>\$ -</u>	<u>\$ 51,139</u>

Depreciation expense was charged to functions as follows:

General government	\$ 4,253
Public safety	637
Public works	<u>1,210</u>
Total governmental activities	<u>\$ 6,100</u>

---

### NOTE 5: DEFERRED REVENUE

---

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$ 41,625</u>	<u>\$ -</u>

# LAKE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

### NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
2003 Issue - Special Assessment Bonds					
Serial Current Interest Bonds	11/1/05-11/1/12	4.15%	\$5,000-10,000	\$ 80,000	\$ 45,000
<b>Loans:</b>					
2006 Issue - Fire Tanker	2/13/07-2/13/09	4.45%	11,200	33,600	11,200

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>General Obligation Bonds:</b>					
2003 Issue	\$ 55,000	\$ -	\$ (10,000)	\$ 45,000	\$ 10,000
<b>Loans:</b>					
2006 Installment Purchase - Tanker	22,400	-	(11,200)	11,200	11,200
Total governmental activities					
- long-term liabilities	<u>\$ 77,400</u>	<u>\$ -</u>	<u>\$ (21,200)</u>	<u>\$ 56,200</u>	<u>\$ 21,200</u>

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Annual debt service requirements to maturity for the above bonds and loans are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 21,200	\$ 2,158	\$ 23,358
2010	10,000	1,245	11,245
2011	10,000	830	10,830
2012	5,000	519	5,519
2013	<u>10,000</u>	<u>208</u>	<u>10,208</u>
	<u>\$ 56,200</u>	<u>\$ 4,960</u>	<u>\$ 61,160</u>

---

### NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

---

Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	<i>Governmental</i> <i>Activities</i>
<b>Receivables:</b>	
Property taxes	\$ 22,312
Accounts	1,917
Special assessments	41,625
Intergovernmental	<u>10,701</u>
Total receivables	<u>\$ 76,555</u>
<b>Accounts payable and accrued expenses:</b>	
Accounts	\$ 1,615
Accrued interest	778
Intergovernmental	<u>4,723</u>
Total accounts payable and accrued expenses	<u>\$ 7,116</u>

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

---

### NOTE 8: INTERFUND BALANCES AND TRANSFERS

---

There were no interfund receivable and payable balances at March 31, 2008.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ <u>22,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

---

### NOTE 9: RISK MANAGEMENT

---

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for significant losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

---

### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

---

#### **Defined Contribution Pension Plan:**

**Plan Description** – The Township has created a defined contribution pension plan for certain officials and employees. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

### Eligibility Requirements and Provisions:

There are no age or service requirements.

The following employees shall be eligible to participate in the plan:

- Elected officials
- Assessor
- Building Inspector
- Zoning Administrator
- Transfer Station Supervisor
- Extra Office
- Deputy Clerk

An individual shall commence participation in the plan immediately.

### Contributions:

Employer contributions for each participant will be 7.5% of compensation. Mandatory employee contributions will be 7.5% of compensation. The mandatory contributions shall be treated as made by employees on an after-tax basis. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of compensation.

### Vesting:

Benefits attributable to employer contributions shall be 100% vested upon a participant's death, disability, or normal retirement, or upon termination of the plan. On termination of a participant's service, such benefits shall vest 100% immediately.

### Insurer:

The Manufacturers Life Insurance/John Hancock Company.

### Plan Activity:

For the plan year January 1, 2007 to December 31, 2007, all required contributions to the plan were made.

Account value 12/31/06	\$ 86,849
Current year contributions	
Employer	5,524
Employee	5,524
Interest earned	2,505
Administration fees	<u>(444)</u>
Account value 12/31/07	<u>\$ 99,958</u>

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

### **Post Employment Benefits:**

The Township offers no post employment benefits to its retirees.

### **Deferred Compensation Plan:**

The Township offers no deferred compensation plan.

***REQUIRED SUPPLEMENTAL INFORMATION***

# LAKE TOWNSHIP

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 105,000	\$ 105,000	\$ 115,128	\$ 10,128
Licenses and permits	19,400	19,400	26,581	7,181
State grants	65,000	65,000	72,952	7,952
Charges for services	12,100	12,100	21,890	9,790
Interest and rents	5,000	5,000	7,062	2,062
Other revenue	<u>2,000</u>	<u>2,000</u>	<u>2,900</u>	<u>900</u>
Total revenues	<u>208,500</u>	<u>208,500</u>	<u>246,513</u>	<u>38,013</u>
<b>Expenditures:</b>				
Current				
General government	112,110	112,725	90,002	(22,723)
Public safety	25,550	24,500	20,753	(3,747)
Public works	36,690	54,635	50,090	(4,545)
Health and welfare	5,500	5,500	3,486	(2,014)
Community and economic development	25,850	26,460	18,416	(8,044)
Recreation and culture	1,200	1,200	1,200	-
Other	10,000	10,000	8,846	(1,154)
Capital outlay	<u>2,000</u>	<u>3,050</u>	<u>2,045</u>	<u>(1,005)</u>
Total expenditures	<u>218,900</u>	<u>238,070</u>	<u>194,838</u>	<u>(43,232)</u>
Excess (deficiency) of revenues over expenditures	<u>(10,400)</u>	<u>(29,570)</u>	<u>51,675</u>	<u>81,245</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net change in fund balance	(32,400)	(51,570)	29,675	81,245
Fund balance, beginning of year	<u>318,980</u>	<u>318,980</u>	<u>318,980</u>	<u>-</u>
Fund balance, end of year	<u>\$ 286,580</u>	<u>\$ 267,410</u>	<u>\$ 348,655</u>	<u>\$ 81,245</u>

# LAKE TOWNSHIP

---

## SPECIAL REVENUE FUND – ROADS FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 125,000	\$ 125,000	\$ 127,701	\$ 2,701
State grants	2,000	2,000	2,108	108
Interest and rents	-	-	1,058	1,058
Total revenues	<u>127,000</u>	<u>127,000</u>	<u>130,867</u>	<u>3,867</u>
<b>Expenditures:</b>				
Current				
Public works	<u>215,000</u>	<u>215,000</u>	<u>84,441</u>	<u>(130,559)</u>
Total expenditures	<u>215,000</u>	<u>215,000</u>	<u>84,441</u>	<u>(130,559)</u>
Net change in fund balance	(88,000)	(88,000)	46,426	134,426
Fund balance, beginning of year	<u>224,530</u>	<u>224,530</u>	<u>224,530</u>	<u>-</u>
Fund balance, end of year	<u>\$ 136,530</u>	<u>\$ 136,530</u>	<u>\$ 270,956</u>	<u>\$ 134,426</u>

# LAKE TOWNSHIP

---

*SPECIAL REVENUE FUND – CASEVILLE AREA FIRE  
PROTECTION ASSOCIATION FUND*

## **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
Property taxes	\$ 66,418	\$ 66,418	\$ 70,447	\$ 4,029
Total revenues	<u>66,418</u>	<u>66,418</u>	<u>70,447</u>	<u>4,029</u>
<b>Expenditures:</b>				
Current				
Public safety	54,221	54,221	58,250	4,029
Debt service				
Principal	11,200	11,200	11,200	-
Interest and fees	<u>997</u>	<u>997</u>	<u>997</u>	<u>-</u>
Total expenditures	<u>66,418</u>	<u>66,418</u>	<u>70,447</u>	<u>4,029</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***OTHER SUPPLEMENTAL INFORMATION***

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

***Current Taxes:***

Property taxes	\$ 83,769
Administration fees	30,349
Payment in lieu of taxes	1,010
	<u>115,128</u>

***Licenses and permits:***

Business licenses and permits	170
Nonbusiness licenses and permits	15,345
CATV franchise fees	11,066
	<u>26,581</u>

***State Grants:***

Summer tax collection reimbursement	4,850
State revenue sharing - sales tax	68,102
	<u>72,952</u>

***Charges for services:***

Transfer station collection	18,040
Zoning fees	3,850
	<u>21,890</u>

***Interest and rents:***

Interest	<u>7,062</u>
----------	--------------

***Other Revenue:***

Reimbursements	931
Other	1,969
	<u>2,900</u>

Total revenues	<u>\$ 246,513</u>
----------------	-------------------

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

#### Expenditures:

##### General Government:

###### Board:

Personnel	\$ 2,080
Mileage	418
Education	210
	<hr/>
	2,708
	<hr/>

###### Supervisor:

Personnel	8,250
Mileage	450
Education	50
	<hr/>
	8,750
	<hr/>

###### Clerk:

Personnel	12,805
Supplies	22
Mileage	297
	<hr/>
	13,124
	<hr/>

###### Audit:

Contracted services	<hr/>
	3,900
	<hr/>

###### Board of Review:

Personnel	2,055
Mileage	34
Printing and publications	43
	<hr/>
	2,132
	<hr/>

###### Treasurer:

Personnel	12,500
Supplies	2,381
Contracted services	5,354
Mileage	1,362
Conferences and workshops	210
	<hr/>
	21,807
	<hr/>

###### Assessor:

Personnel	14,000
Supplies	521
Mileage	371
	<hr/>
	14,892
	<hr/>

###### Elections:

Personnel	773
Supplies	31
Mileage	134
	<hr/>
	938
	<hr/>

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

**Expenditures, continued:**

**General Government, continued:**

*Buildings, Grounds and Administration:*

Supplies	1,434
Contracted services	3,102
Telephone	1,989
Dues and memberships	1,405
Printing and publications	883
Insurance	4,579
Utilities	3,134
Repairs and maintenance	2,121
Other	524
	<hr/>
	19,171

*Attorney:*

Contracted services	<hr/>
	2,580

Total general government	<hr/>
	90,002

**Public Safety:**

*Building Inspection:*

Personnel	19,753
Supplies	375
Conferences and workshops	625
	<hr/>
	20,753

**Public Works:**

*Drains:*

Contracted services	<hr/>
	7,161

*Street Lighting:*

Utilities	<hr/>
	274

*Transfer Station:*

Personnel	5,411
Contracted services	23,949
Repairs and maintenance	1,687
	<hr/>
	31,047

*Other:*

Contracted services	<hr/>
	11,608

Total public works	<hr/>
	50,090

**Health and Welfare:**

*Ambulance:*

Contracted services	<hr/>
	3,486

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

**Expenditures, continued:**

***Community and Economic Development:***

*Planning:*

Personnel	4,310
Supplies	640
Contracted services	775
Mileage	31
Conferences and workshops	150
	<u>5,906</u>

*Zoning:*

Personnel	10,660
Supplies	375
Telephone	100
Mileage	855
Education and training	281
Printing and publications	239
	<u>12,510</u>

Total community and economic development 18,416

***Recreation and Culture:***

*Library:*

Contracted services	<u>1,200</u>
---------------------	--------------

***Other:***

Pension and fees	6,671
Payroll taxes	2,175
	<u>8,846</u>

***Capital Outlay:***

General government	995
Public safety	1,050
	<u>2,045</u>

Total expenditures 194,838

**Other Financing Uses:**

Transfers to other funds	<u>22,000</u>
--------------------------	---------------

Total expenditures and other financing uses \$ 216,838

# LAKE TOWNSHIP

---

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING BALANCE SHEET**  
March 31, 2008

	<u><i>Special Revenue Funds</i></u>		
	<u><i>Gypsy Moth Fund</i></u>	<u><i>Capital Improvement Fund</i></u>	<u><i>Total Nonmajor Governmental Funds</i></u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 28,205	\$ 16,521	\$ 44,726
Total assets	<u>\$ 28,205</u>	<u>\$ 16,521</u>	<u>\$ 44,726</u>
<b>Fund Balances:</b>			
Unreserved:			
Special revenue funds	<u>28,205</u>	<u>16,521</u>	<u>44,726</u>
Total fund balances	<u>\$ 28,205</u>	<u>\$ 16,521</u>	<u>\$ 44,726</u>
Total liabilities and fund balances	<u>\$ 28,205</u>	<u>\$ 16,521</u>	<u>\$ 44,726</u>

# LAKE TOWNSHIP

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Gypsy Moth Fund</u>	<u>Capital Improvement Fund</u>	
<b>Revenues:</b>			
Property taxes	\$ 5,000	\$ -	\$ 5,000
Interest and rents	720	98	818
Total revenues	<u>5,720</u>	<u>98</u>	<u>5,818</u>
<b>Expenditures:</b>			
Current			
General government	-	4,437	4,437
Public works	29,413	-	29,413
Capital outlay	<u>-</u>	<u>3,323</u>	<u>3,323</u>
Total expenditures	<u>29,413</u>	<u>7,760</u>	<u>37,173</u>
Excess (deficiency) of revenues over expenditures	<u>(23,693)</u>	<u>(7,662)</u>	<u>(31,355)</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	<u>-</u>	<u>22,000</u>	<u>22,000</u>
Total other financing sources (uses)	<u>-</u>	<u>22,000</u>	<u>22,000</u>
Net change in fund balances	(23,693)	14,338	(9,355)
Fund balances, beginning of year	<u>51,898</u>	<u>2,183</u>	<u>54,081</u>
Fund balances, end of year	<u>\$ 28,205</u>	<u>\$ 16,521</u>	<u>\$ 44,726</u>

# LAKE TOWNSHIP

---

## FIDUCIARY FUND – AGENCY FUND

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2008

#### Property Tax Collection Fund:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>March 31, 2008</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 408	\$ 2,907,630	\$ 2,906,141	\$ 1,897
Total assets	<u>\$ 408</u>	<u>\$ 2,907,630</u>	<u>\$ 2,906,141</u>	<u>\$ 1,897</u>
<b>Liabilities and Fund Balances:</b>				
<i>Liabilities:</i>				
Accounts payable	\$ 408	\$ 339,400	\$ 337,911	\$ 1,897
Due to other governmental units	<u>-</u>	<u>2,568,230</u>	<u>2,568,230</u>	<u>-</u>
Total liabilities	<u>\$ 408</u>	<u>\$ 2,907,630</u>	<u>\$ 2,906,141</u>	<u>\$ 1,897</u>

# LAKE TOWNSHIP

---

## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

March 31, 2008

#### 2003 SPECIAL ASSESSMENT BONDS - FOSTERS WHITE SAND SHORES SUBDIVISION AND OLD SAND ROAD IMPROVEMENTS

Issue dated December 1, 2003 in the amount of	\$ 80,000
Less: Principal paid in prior years	(25,000)
Principal paid in current year	<u>(10,000)</u>
Balance payable at March 31, 2008	<u>\$ 45,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due May 1</i>	<i>Interest due November 1</i>	<i>Principal due November 1</i>	<i>Total Annual Requirement</i>
2009	4.15%	\$ 934	\$ 726	\$ 10,000	\$ 11,660
2010	4.15%	726	519	10,000	11,245
2011	4.15%	519	311	10,000	10,830
2012	4.15%	311	208	5,000	5,519
2013	4.15%	<u>208</u>	<u>-</u>	<u>10,000</u>	<u>10,208</u>
		<u>\$ 2,698</u>	<u>\$ 1,764</u>	<u>\$ 45,000</u>	<u>\$ 49,462</u>

#### 2006 INSTALLMENT PURCHASE AGREEMENT - FIRE TANKER

Issue dated February 13, 2006 in the amount of	\$ 33,600
Less: Principal paid in prior years	(11,200)
Principal paid in current year	<u>(11,200)</u>
Balance payable at March 31, 2008	<u>\$ 11,200</u>

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due February 13,</i>	<i>Interest due February 13,</i>	<i>Total Annual Requirement</i>
2009	4.45%	<u>\$ 11,200</u>	<u>\$ 498</u>	<u>\$ 11,698</u>

BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## **REQUIRED COMMUNICATION TO LAKE TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Township Board  
Lake Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township for the year ended March 31, 2008, and have issued our report thereon dated July 7, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 19, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lake Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

### **Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 7, 2008.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Internal Control Matters**

In planning and performing our audit of the financial statements of Lake Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Lake Township 's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

\*\*\*\*\*

This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

July 7, 2008